

PRESS RELEASE

KHADKA KRISHNA CONSTRUCTION PRIVATE LIMITED

November 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	33.26 (reduced from 51.43)	IRN B+	Upgraded from IRN D and removed from Issuer not cooperating category
Short Term Bank Facilities	100.00 (reduced from 145.00)	IRN A4	Upgraded from IRN D and removed from Issuer not cooperating category
Long Term/Short Term Bank Facilities	1,380.30 (reduced from 2,303.57)	IRN B+/A4	Upgraded from IRN D and removed from Issuer not cooperating category
Total	1,513.56		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the rating assigned to the long term bank facilities of NPR 33.26 Mn to IRN B+ (Single B Plus) from IRN D 'INC' (D, Issuer not cooperating category), short term bank facilities of NPR 100.00 Mn to IRN A4 (A Four) from IRN D 'INC' (D, Issuer not cooperating category) and long term/short term bank facilities of NPR 1,380.30 Mn to IRN B+/A4 (Single B Plus/A Four) from IRN D 'INC' (D, Issuer not cooperating category). Also, the ratings have been removed from Issuer Not Cooperating category.

Detailed Rationale

The revision of the ratings assigned to the bank facilities of Khadka Krishna Construction Private Limited (KKCPL) takes into account satisfactory repayment track record over the past year, as of mid-October 2025. The ratings continue to derive strength from KKCPL's long operational track record, experienced management team, and a moderate order book position that provides revenue visibility over the medium term. The ratings also factor in the improvement in the company's capital structure, with an overall gearing of 1.15x as of mid-July 2025, along with moderate debt coverage indicators, as evidenced by a Debt Service Coverage Ratio (DSCR) of 2.08x and an Interest Coverage Ratio of 3.26x in FY25. Additionally, the ratings take a positive view of KKCPL's moderate counterparty risk profile, supported by the presence of price-escalation clauses in major contracts. However, the ratings remain constrained owing to modest financial performance as evidenced by fluctuating total operating income during the past four FYs (FY21-FY25) amid slowdown in construction activities and government spending amidst economy slowdown. The ratings also remain constrained by the elongated operating cycle resulting in high working capital intensive nature of business prompting KKCPL to fully utilize its working capital limits. The ratings also remain constrained due to KKCPL's existence in a competitive industry alongside KKCPL's weak liquidity profile, exposure to project execution risks, interest rate volatility risk and defect liability risks. Going forward, KKCPL's ability to improve its overall financial performance, secure new contracts and execute ongoing projects efficiently and recover contract proceeds on timely manner will remain crucial to improve its overall financial risk profile and remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management team with long track record of operations

KKCPL is led by Mr. Prakash Khadka, Managing Director, who has more than seven years of experience in the field of the construction business. The board is supported by an experienced management team member. KKCPL holds "A" class certificate in construction business and has a long track record of experience since 1998.

Moderate albeit concentrated order book position

As of mid-October 2025, the company had an unexecuted order book of ~ NPR 1,531 Mn (including KKCPL's share in joint ventures), equivalent to about 2.02x its total operating income for FY25. The order book provides adequate medium-term revenue visibility, with the ongoing projects scheduled for completion over the next two to three years. The order in hand however, remains concentrated in road segments with 8 out of 10 contracts and ~92% of total order in hand belonging to road segment.

Improving capitalization profile and coverage indicators

KKCPL's capital structure remains moderately leveraged, with an overall gearing ratio of 1.15x as of mid-July 2025, improving from 1.47x in FY24 and 1.58x in FY23. This improvement is primarily attributable to the continuous accretion of profits to reserves and supported by minimal capital expenditure requirements. The company's Total Outside Liability/ Tangible Net Worth (TOL/TNW) ratio also strengthened to 2.62x in FY25, compared to 3.70x in FY24 and 3.48x in FY23. Also, KKCPL's interest coverage remained moderate at 3.26x in FY25, vis-à-vis 3.67x in FY24 and 3.66x in FY23.

Key Rating Weaknesses

Fluctuating financial performance and working capital intensive nature of business

KKCPL's financial performance remains modest, marked by a marginal improvement in total operating income (TOI) in FY24 followed by a contraction in FY25. TOI grew by ~13% in FY24 to ~NPR 896 Mn from ~NPR 790 Mn in FY23; however, it declined to ~NPR 757 Mn in FY25 due to subdued economic activity and a limited volume of work in hand in preceding years. The decline in order execution, coupled with inflationary pressures during FY24–FY25, also weighed on profitability, with EBITDA margins compressing to ~9% in FY24 and ~8% in FY25. Consequently, profit after tax remained modest at ~NPR 17 Mn in FY24 before declining to ~NPR 10 Mn in FY25. Gross cash accruals (GCA) also moderated, standing at ~NPR 53 Mn in FY24 compared to ~NPR 41 Mn in FY25, against ~NPR 57 Mn recorded in FY23. KKCPL's operations are inherently working-capital intensive, characterized by an elongated operating cycle (~117 days in FY25, ~58 days in FY24) driven largely by high inventory holding periods. Reason for high inventory holding. As a result, the company's working capital facilities have remained fully utilized over the years, exerting pressure on its overall liquidity profile.

Existence in a competitive industry and exposure to Government regulations

The construction sector of Nepal is highly competitive with presence of large number of contractors and the contractors are subject to a competitive bidding process to secure the work from governmental agencies. Furthermore, the business also remains dependent on stability in government policies/ fiscal policies and GoN's capital expenditure which has slowed down in the latest years. Thus, KKCPL's ability to obtain new projects while maintaining profit margins remains crucial. KKCPL's business model has some inherent risk and the projects are susceptible to delays in procedural approvals, site clearances and other operational issues exposing the company to the risk of delay in project execution leading to delays in the realization of revenues.

Interest rate and defect liability risk

The Interest rates on deposits and borrowing remain a significant factor in the Nepalese economy. In line with NRB's directives, the BFIs typically charge interest rates on loans by adding a premium to the base rate which is revised on a quarterly basis. The interest rates charged by BFIs have been historically volatile over the past 2-3 years and thus borrowing from banks and financial institutions

exposes KKCPL to the risk of interest rate volatility. Furthermore, KKCPL is susceptible to financial losses arising out of defects identified by the client during the defect liability period as per the terms of the contracts.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

Past Rating Rationale:

[Khadka Krishna Construction Private Limited: Moved to Issuer not cooperating category with notice of withdrawal](#)

About the Company:

Khadka Krishna Construction Private Limited (KKCPL) is a Class "A" construction company of Nepal which was initially incorporated as a firm on April 21, 1998, and subsequently was converted into a private limited company in 2020. The registered office of the company is located at Kohalpur, Banke, Nepal and the company is promoted by three individual shareholders.

Financial Indicators (Standalone)

For the year ended* As on	FY22#	FY23#	FY24	FY25
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	1,004	790	896	757
EBITDA Margin (%)	8.08	10.80	9.00	8.43
Interest Coverage Ratio (x)	6.09	3.66	3.67	3.26
Debt Service Coverage Ratio (x)	1.25	2.14	1.84	2.08
Total Debt/EBITDA (x)	2.07	2.63	2.90	5.17
Current Ratio (x)	0.71	0.97	1.05	1.55
Overall Gearing Ratio (x) excluding mobilization advance	4.50	1.58	1.47	1.15

Earnings before Interest Tax Depreciation Amortization (EBITDA)

**Classification as per Infomerics Nepal standards*

#KKCPL had carried out first time adoption of Nepal Financial Reporting Standard (NFRS) from FY24 onwards resulting which the financial metrics for FY22 and FY23 has changed according to "NFRS 1- First Time Adoption of NFRS"

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities-Term Loan	Long Term	33.26	IRN B+
Fund Based Bank Facilities-Working Capital	Short Term	100.00	IRN A4
Non Fund Based Bank Facilities- PG/APG ¹	Long Term/ Short Term	1,380.30	IRN B+/A4
Total Facilities		1,513.56	

¹Performance Guarantee/Advance Performance Guarantee

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About Infomerics Credit Rating Nepal Limited:

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